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on 7/13/07 by Robert  
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Industry Trends & Market Analysis Ravalli County Commissioners

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Industry Analysis:

Montana Tourism & Recreational Strategic Plan 2003 – 2007

Tourism and recreation in Montana are at an historic moment. Decisions made and actions taken in the next five years will affect Montana's environment, its economy and its citizens for decades. Those decisions and actions must be strategic, and consistent with the values and priorities of Montanans. As the state faces perhaps the largest tourism event in years, The Lewis & Clark Expedition Bicentennial, this Tourism and Recreation Strategic Plan serves as a guide for tourism and recreation leaders as they develop plans and programs for the bicentennial years and beyond. Tourism can enhance Montana's economy and create jobs, but it also can create challenges. The key is to target high value, low impact visitors; to focus resources strategically on sustainable tourism activity that enhances Montana's economy while meeting the needs of Montanans and nonresident visitors in a changing tourism marketplace. There is much at stake.

Tourism is Montana's 2<sup>nd</sup> Largest Industry, Generating \$1.7 billion per year.

Montana hosted 9.6 million nonresident visitors in 2001. About 59% of them visited in summer, 20% in winter, 11% in spring and 10% in fall, which had a tremendous economic impact on the state:

- ❖ Nonresidents spent \$1.7 billion in Montana; \$1.2 for retail items, restaurant & beverage, gas and groceries, or 12% of all statewide sales in those retail goods categories.
- ❖ Tourists ate 110,000,000 meals in Montana, or 2.1 million per week; \$332 million spent on restaurants meals and beverages, another \$125+ million on groceries and snacks.
- ❖ Nonresident traveler expenditures accounted for \$336 million in employee compensation.
- ❖ Approximately half of all commercial airline passengers flying to/from Montana in 2001 were nonresidents.

Trends and Statistics:

Changing Tourism Trends Present New Market Opportunities.

Nationally and internationally, the tourism industry has changed dramatically over the past decade. Consumer tastes, preferences and travel planning methods are very different. So are transportation and Montana's national and international competition.

These trends offer Montana opportunities to focus on attracting high-value, low impact tourists as follows:

- ❖ The time crunch affects travel planning: weekend trips (1-5 nights) are up 70% in past decade to 54% of all U.S. travel; longer trips declining; 59 million people use Internet to plan trips.
- ❖ Women make the decisions: women make 75% of all travel decisions; top concerns are safety, hygiene, "creature comforts," shopping, convenience ("one-call," all-inclusive packages).
- ❖ Mature Travelers Rule: Americans over 50 comprise 80% of all leisure travel; control 75% of the nation's wealth; seek active experiences, heritage/culture, soft adventure; travel in off-peak times.
- ❖ Family Values are back (Families are blended & Multi-Generational): family travel is up; seek value for the money, variety of things to do, activities designed (and packaged) for kids.
- ❖ History & Culture are the #1 Attraction: 65% of all U.S. travelers include heritage/culture experiences on their vacations; segment is more educated/affluent than average traveler.
- ❖ Festivals Attract One-Fifth of all Travelers, esp. Young Families: most popular events music, ethnic/folk/heritage, country/state fairs, parades, food festivals and religious festivals.
- ❖ Rural Places are appealing: 62% of all U.S. adults visited small town/village; 33% took kids.
- ❖ Packaged Niche Products are Key to Success: travelers want experiences tailored to their tastes.
- ❖ Business Travelers Deserve More Attention: Business traveler spend most, stay 3.3 nights, combine business with vacation travel.
- ❖ Non-Business Meetings & Conventions are Big Business: 27 million U.S. attendees in 1999; most popular are religious, self-improvement/education, hobby-related; spent \$529/trip.
- ❖ Canadians are Returning: visitation to U.S. up 95% from 1998-2000; 59% planning/considering travel to U.S. in 2002; 81% prefer packaged vacation, like deals; 87% will use Internet to plan.
- ❖ Europeans Spend Five Times more Time and Money: \$1,530/trip; like rural place, off-peak times.

- ❖ Adventure and Geo-Tourists are Large Markets: 92 million soft adventure (camping, hiking, biking, skiing, horseback riding), 31 million hare adventure (rafting, climbing, mountain biking).
- ❖ Sportsmen Numbers Remain Steady as More Women Join the Club: 2/3 are men, but women catching up; hunter #'s up 250,000+ nationally 1198 to 1999; more fishermen traveling to fish.
- ❖ Tourists Shop "Until They Drop": #1 activity of leisure travelers (63%) shop, 1-in-5 spent more than \$500.00+.
- ❖ Montanans spent \$707 million outside the state in 1999: 75% of Montanans take one or more leisure trips annually (higher than national average), spent \$962 million in 1999 (9.5% of income).

Nonresident Tourist Markets.                      Population

1.	Alberta, Canada	
2.	Washington	6,068,996
3.	Oregon	3,521,515
4.	California	35,116,033
5.	Idaho	1,341,131
6.	Utah	2,316,256
7.	Colorado	4,506,542
8.	Wyoming	498,703
9.	North Dakota	634,110
10.	Minnesota	5,019,720
11.	Wisconsin	5,441,196
12.	Michigan	10,050,446
13.	Texas	21,779,893
14.	Arizona	5,456,453
15.	Florida	<u>16,713,149</u>
	TOTAL	118,464,143

Market Segmentation:

The post World War II (1946 to the early 1960's) period has often been characterized as the era of mom, pop, the two kids, the station wagon, a dog and one very large mortgage. These-called family market was a well-defined target for most marketers. During this time, many household-name chains, including Holiday Inn, Disneyland, and McDonald's got their start. You already know that things have changed drastically since then. What has happened in the 1960's through the 1990's has meant that the hospitality and travel market is much more fragmented or segmented than ever before. Although the family

market remains strong, there are many other viable market that can be pursued. Thus, the correct use of segmentation techniques is becoming increasingly important in marketing.

**Demand and Supply side changes** In the 1950's, our industry emphasized standardization or sameness across the country. Today the emphasis is the opposite. There is a focus on diversity. Changes in customers' behavior dictated this move, and our industry is reacting to fill newly emerging needs. Therefore, trends have occurred both on the demand and the supply side. Here's a brief look at each of the two sides.

Six Demand-led trends are particularly important to the hospitality and travel industry:

1. Changing age structure.
2. Changing household structures.
3. Changing household roles and responsibilities.
4. Increasing importance of minorities.
5. Changing social/cultural patterns and lifestyles.
6. Increased demand for specific travel alternatives.

1.) **Changing Age Structure.** The population in the developed world is aging. This generally is felt to be a positive trend for our industry, since there will be more customers with the independence and financial means to travel and dine out. Two demographic segments that are attracting particular attention because of above-average growth are the baby boomer and those over age 55. A baby boomer is anyone born in the period between 1946 and 1964, which is, following the end of World War II. At the turn of the millennium these people were all between 36 and 54 year of age. The Baby Boomers attract so much marketing attention because of the size of this age cohort. For example, the AARP estimated that there were 76 million Americans in this age group in 1999.

Baby boomers are known to be more frequent travelers than their parents and regard travel as necessity rather than a luxury. In the period from 1999 to 2050, the highest population growth rate will be in the traditional retirement age group-those 65 and over. The U.S. Census Bureau forecast a 137% increase as this group grows from 34.6 million in 1999 to 82 billion in 2050.

Together with those aged between 50 and 64, these people represent a sizable and increasingly attractive target for the hospitality and travel industry. They have more money, higher education levels, a greater desire to travel, and better health than did their predecessors.

Many hospitality and travel organizations have developed and are promoting special programs for older customers. For example, Northwest Airlines offers the NorthBest Senior Travel Coupon Program for passengers aged 62 years or more. Gray Line Worldwide offers a 10% discount to AARP members on its tours. Several cruise lines, hotel chains, and car rental companies offer discounts to AARP members, as does Virgin Atlantic Airways. Many restaurants have also gotten into the act by providing discounted meal or beverage prices and early-bird specials for older persons. Some companies have gone even further and serve the older traveler exclusively. Elder Treks, a Toronto-based

tour operator, services traveler aged 50 and over "who love adventure" and who do not want "to see a country through the windows of a tour bus." The company's trips are of the "soft Adventure" variety and include visits to destinations such as Belize, Borneo, Costa Rica, Ecuador, Nepal and Vietnam.

2.) Changing Household Structures: The predictable family structure of the 1950's gave way to greater diversity in household composition at the start of the new millennium. Between 1990 and 2000, non-family and single-parent households increased at a faster rate than married-couple households. The singles market has certainly taken much of the limelight off the family market. Later marriages, higher divorce rates, and more older people living alone and longer are factors sparking the significant increases in the number of single adults.

Again, many hospitality and travel marketers have honed in on the singles market as a prime target. Club med pioneered this move among resort, followed by several others with variations on the same theme. For another demonstration of this point, check the shelves of your local grocery store, you will find that many special packages are available for singles only.

3.) Changing Household Roles and Responsibilities. A revolution has taken place in the role of women in North American society. The major impact of this change has been the substantially larger number of women in the work force. For example, only 19.2% of the U.S. married -couple families in 1999 were households in which only the husband worked. Some 71.8% of mothers with children under 18 were in the labor force.

The hospitality and travel industry has felt the full force of this trend. Travel surveys taken about 1970 showed that female travelers made up fewer than 5% of all business travelers. By 1993 this figure had catapulted to nearly 40%.

Some experts believe that in this first decade of the 2000's, females will represent between 45% and 50% of all business travelers. Most agree that women business travelers are the fastest growing segment of the business travel market. To respond to this trend, many hospitality and travel companies have modified their facilities and services to accommodate the special needs of businesswomen more effectively. These changes include extra skirt hangers, more toiletries, hair dryers, full-length mirrors in rooms, and 24-hour room service.

Some organizations have worked especially hard at meeting the needs of the woman business traveler. For example, Delta Airlines and American Express have established the Executive Woman's Travel Network (EWTN). Among other benefits, EWTN provides a Travel Resource Center on the Web with important information for female business travelers. Signature Inns, also through its Website, provides excerpts from Laurie Bormans's book, *The Smart Woman's Guide to business Travel*. A byproduct of the increasing number of working women has been the growth of tow-income families. This has had a profound impact on family eating habits and vacation patterns. Family time is being severely pressured by work schedules and responsibilities, and this has

increased the demand for convenience in travel and dining out. Well into the 2000's, some historians may refer to the 1990's as the drive-through decade, when more and more North Americans received their nutrition through small holes in restaurant walls. It may also be remembered as the time when the work microwaveable was added to the English language. At the start of the new millennium, many restaurants offered the convenience of ordering food for home delivery or take-out via their Web sites. Recent years have seen an upsurge in the popularity of wee-end "getaways" and other mini-vacations, as busy couples juggle their work schedules.

4.) Increasing Importance of Minorities. In many developed countries, racial and ethnic minorities are growing at above-average rates and are attracting greater attention from marketers. The traditional majority (white) population which was 71% in 1999 is estimated to be 53% in 2050, with significant increases in Hispanic and Asian groups.

Several companies within and outside the industry have enjoyed success by targeting one or more minority groups. In addition, more advertisements now feature visible minorities, and there is much greater use of the Spanish language in pro-motions and directional signs

5.) Changing Social / Cultural Patterns and Lifestyles. Sweeping changes have taken place in the cultural mosaic of developed countries, and the population is now more socially and culturally diverse than ever before. Most experts attribute these changes to increased affluence and education, the growing desire to escape the complexity of everyday life, and decreasing acceptance of traditional Puritan/Protestant ethics, beliefs, and principles. Some of the changes include the following:

- a. Increased emphasis on improved physical health, fitness, and appearance.
- b. Greater use of leisure and vacation time for self-improvement
- c. More hedonistic lifestyles and vacations
- d. More emphasis on careers for women.
- e. Greater popularity of back-to-nature experiences and lifestyles.

You might get a better picture of these trends by considering a few examples. The fitness craze is evident throughout the world. People now exercise more, are more nutritious-conscious, and shun health-damaging items such as cigarettes and hard liquor. Non-smoking sections in restaurants, non-smoking hotel rooms, non-smoking rental cars, and smoke-free cruises are now quite common. Sales of lower-alcohol beverages such as wines, wine coolers, and light beers have increased, while hard liquor volumes have dropped. Low-calorie and caffeine-free soft drinks now own a large share of the total soft drink market. Salad bars and low-calorie or low-carbohydrate menus are now featured in many restaurants. In addition, more hotels and motor now offer exercise equipment or full-scale health clubs for their guests. Every town or city has one or more health/fitness clubs, as well as numerous tanning salons. More people each year take vacations at health-spa resorts to improve their looks, their fitness levels, or their diets. Many resorts, hotels, and some restaurants have spotted the increased interest in using leisure time to enhance specific skills or to broaden one's education. Many resorts offer

special packages, including tennis or golf instructions or classes aimed at improving photographic or gourmet cooking skills. Adults are now more interested in furthering their education. The Mohonk Mountain House in New York satisfies this increasing need by offering seminar packages in cooking, personal health management, foreign languages and art.

6.) Increased Demand for Specific Travel Alternatives. Some parts of the hospitality and travel industry have enjoyed growth rates well above average. In part, this has been caused by increased customer demand, coupled with a greater supply. These included cruises, conventions and meetings, incentive travel, motorcoach tours, casino gambling trips, and the already mentioned mini-vacations and educational/skill-improvement vacations. The number of cruise passengers in 1998, about 5.4 million, was approximately ten times greater than in 1970.

For 1999, the meetings industry was estimated to have generated \$40.2 billion. Spending on incentive travel has also increased rapidly to the point where the Incentive Federation estimates that it was a \$9.8 billion business in 1999.

Motorcoach tours are enjoying much greater popularity, particularly because more senior citizens are choosing this vacation alternative. Travel to participate in casino gambling has grown with the further development of casinos in southern Nevada and Atlantic City, New Jersey, and with the addition of riverboat gambling in the Midwest.

Supply-Side Trends... The public's shifting wants, needs and preferences during the past 20 to 30 years have opened up a vast store of new marketing opportunities. The hospitality and travel industry has responded with an exciting array of services tailor-made for specific target markets-the industry has learned to practice market segmentation. Ten specific supply-side trends include the following:

1. Increased emphasis on frequent travelers
2. Greater attention to nutritional and fitness needs
3. More marketing to executive and luxury travelers
4. Greater emphasis on weekend packages and other mini-vacations
5. More attention to women business travelers
6. Greater emphasis on longer-stay travelers
7. More pricing and rate alternatives
8. Greater convenience in services provided
9. Greater variety of ethnic food offerings
10. Increased supply of specific travel offerings

1.) Increased Emphasis on Frequent Travelers. One supply-side trend already mentioned is the increasing focus on the frequent business traveler by airlines, hotels, car rental firms, and even some credit card companies. Almost every airline and major hotel chain now has an awards program for frequent users of their services. Reciprocal award programs between domestic and international airlines began to be introduced in the late

1980's. Since then, a complicated network of interrelated awards programs has developed.

2.) Greater attention to nutritional and fitness needs. The industry has really caught on to today's increasingly health-conscious travelers. Even fast-food companies, often criticized for the low nutritional value of their menu items, responded by modifying their offerings or publicizing the contents of their food. The strong antismoking movement and governments' growing acceptance of the health dangers of smoking caused major changes in the hospitality and travel industry in the 1980's and 1990's. Smoking is now banned on many countries' domestic flights and is being increasingly restricted on international flights. There is growing public pressure to ban smoking in all public places including restaurants and hotel lobbies. As mentioned earlier, many hotels and resorts began making fitness facilities available to guests.

3.) More marketing to executive and luxury travelers. There was a time when most hospitality and travel companies treated all business travelers the same. This practice came to an abrupt end in the late 1970's and early 1980's. Hotel companies, airlines, and some credit card companies started to recognize the lucrative potential of executive-level business and luxury-oriented pleasure travelers. While some airlines upgraded their first-class services, many introduced a new executive-class section. Some hotel chains and independents introduced executive or concierge floors, where special services such as private lounges, free morning newspapers, complimentary continental breakfasts, upgraded room amenities, and the personal attention of a concierge were provided to guests.

Many special packages have been developed for the pleasure traveler willing to pay for luxury. Companies such as Abercrombie & Kent and others specialize in assembling tours to exotic or inaccessible places, or highly pampered trips to other far-off destinations.

4.) Greater emphasis on weekend packages and other minivacations. With more two-income families in the market, the hospitality and travel industry has responded with an increased range of short-duration vacation packages. Among hotel chains, Hyatt, Marriott, and Holiday Inns are especially active in national advertising campaigns to back up these packages.

5.) More attention to women business travelers. As already mentioned, airlines, hotels and restaurants are now devoting more attention to the special needs of female business travelers. Special advertising campaigns now target this group.

6.) Greater emphasis on longer-stay travelers. One of the major lodging industry innovations of the 1980's was the emergence of the all-suite concept. Although all-suite hotels subsequently broadened their marketing focus, it was their original intent to provide more acceptable accommodations for relocated executives and other extended-duration guests.



7.) More pricing and rate alternatives. The hospitality and travel industry has bedazzled the traveling public with an ever increasing range of prices and rates. After deregulation, the only foolproof way to keep track of the huge number of constantly changing air fares was to use computers. Not to be outdone by the airlines, hotels began to offer more special rates based on customer types and time of stay.

8.) Greater convenience in services provided. Many of us take for granted the extra conveniences and time saving services provided by the industry. The drive-through window became a permanent fixture at almost all fast-food chain stores. Double drive-through (hamburger restaurants with two drive-through lanes that have not sit-down areas inside) or burger babies took this idea one step further. Delivery and takeout food service also expanded rapidly, and convenience stores entered the fast-food business. Express check-in and check-out became commonplace at many hotels, and many travel agencies offered extra convenience by delivering tickets.

9.) Greater variety of ethnic food offerings. The National Restaurant Association has found that Italian, Chinese, and Mexican are the most popular ethnic foods in the United States, while some less well-known cuisines, such as Japanese sushi, Thai, Caribbean, and Middle Eastern, are reaching a broader audience. In other countries such as the U.L. and Australia, the cuisines of India and other Asian countries have grown rapidly in popularity.

10.) Increased supply of specific travel offerings. Among the demand-led trends discussed earlier,, we mentioned the greater popularity of certain specific travel alternatives. These included cruises, conventions and meetings, incentive travel, motor-coach tours, casino gambling and educational/skill enhancement packages. We have also talked about the increased supply of weekend and mini-vacation packages. We have also talked about the increased supply of weekend and mini-vacation packages. The hospitality and travel industry has reacted to customers, changing needs and travel preferences by supplying a much grater inventory of facilities, packages and service. For example, the number of companies specializing in incentive travel arrangements has grown from a handful to several hundred. Conference centers specialized resorts catering exclusively to smaller meetings have sprung up to fill a void in the market. Almost every city now has a convention and visitors bureau to attract travelers. The so-called move toward brand segmentation in the lodging industry is another indication of a response to changes customer needs. You can see that there has been a push and pull situation should be clear above all the need and opportunities for market segmentation have greatly increased in the past 20 years.

**Changing Segmentation Practices:** The hospitality and travel industry has become more sophisticated in its use of market segmentation. Although there is still great room for improvement, the industry is now much more aware of the benefits of effective segmentation and the variety of segmentation bases available.

Traditionally, hospitality and travel marketers have leaned most heavily on demographic, geographic, and purpose-of-trip segmentation, but they are now beginning to add other segmentation bases. With increased use of computers for reservations and customer databases, companies are now in a better position to identify and track their customers' characteristics. This new technology is particularly helpful in pinpointing frequent customers and, therefore, in designing and promoting frequent traveler award programs. The industry is also increasing its use of marketing research, including those techniques that pave the way for psychographic/lifestyle, benefit, and brand-loyalty segmentation. Although it is still very much in the experimental stage, the use of these segmentation bases may provide the competitive edge that companies will need in the future.

**Conclusion:** The hospitality and travel industry is maturing in its use of market segmentation. There is growing recognition of the need to select specific target markets and to aim marketing programs at them. At the same time, the market is becoming increasingly diverse, offering more and more possible niches for hospitality and travel marketers. As the industry moves into the twenty-first century, the big winners are most likely to be those organizations that hone in most precisely on their target markets. Improved marketing research and greater use of computer technology hold great promise for more effective segmentation in the industry. More applications of multi-segmentation also hold good potential for more effective marketing.

Taken directly from "Hospitality and Travel Marketing" Chapter 7 by Alastair M. Morrison (Third Edition)

#### Market Analysis Summary:

We are a mid-priced destination resort that includes a restaurant and bar facilities and outdoor activities which focuses on out of state and local markets with special focus on recreational, leisure travelers and corporate retreats.

The Lewis and Clark Bicentennial, from 2003 to 2006 is expected to bring an additional 4 - 8 million nonresident tourists to Montana.